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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

COMPLETED
ORIGINAL

Inappropriate Use Of An Indian Trust Fund To Subsidize BIA Activities

At one time, revenue from the "Indian Moneys, Proceeds of Labor" trust fund was used to finance schools and other services for Indians, but these activities now are funded by direct appropriations. The trust fund is no longer needed and its authorizing legislation should be repealed.

The fund generates millions of dollars annually that the Bureau of Indian Affairs uses to subsidize its administrative expenses. The subsidies have not been disclosed in the Bureau's budget submissions, depriving the Congress of data needed to set appropriation levels.

The repeal would eliminate unapproved revolving fund activities accounts which further distort the Bureau's financial picture and frustrate congressional oversight of Bureau activities.

SUMMARY

FGMSD-80-78
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COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

INAPPROPRIATE USE OF AN INDIAN TRUST FUND TO SUBSIDIZE BIA ACTIVITIES

D I G E S T

The Congress should repeal legislation authorizing the Bureau of Indian Affairs to maintain the trust fund known as "Indian Moneys, Proceeds of Labor."

Legally, the money is supposed to finance the Bureau's operation of Indian schools and agencies which should generate the trust fund's revenue. Actually, however, the Bureau uses the fund to support other administrative activities that are funded directly by appropriations. Also, contrary to law, trust fund revenue is generated from sources unrelated to authorized trust fund activities.

The trust fund produces over $7 million in revenue annually. At the end of March 1979, it had a balance of $17.5 million.

INAPPROPRIATE USE OF MONEY

GAO found trust fund money used for purposes not intended by the Congress.

--Although the fund should not finance the Bureau's operating expenses, it was used for such purposes. For example, one Bureau office charged the fund about $72,000 in fiscal 1978 and 1979 for such things as employees' salaries and travel, copying service, and office supplies. (See pp. 4-6.)

--The trust fund also was used as a revolving fund to finance activities that support the Bureau's operations, other Federal agencies, and/or private organizations. For example, since 1969 the fund has paid for supplies provided through a central warehouse to activities under the jurisdiction of one Bureau area

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office. The warehouse has been operated as a revolving fund, receiving payments for the supplies furnished and using such revenue to restock the warehouse. (See pp. 7-10.)

Bureau officials told GAO that the trust fund was used for administrative expenses when appropriated funds ran out. The Bureau recently established a policy allowing trust fund money to be spent for any purpose for which appropriated and nonappropriated funds are authorized. In practice, the Bureau has used the fund to circumvent attempts by the Congress to reduce the Bureau's administrative costs. (See pp. 4-6.)

The Bureau interprets the legislation authorizing the fund as establishing a reserve of money which can be spent at the Bureau's discretion without full disclosure to the Congress. GAO disagrees and believes the Bureau's practice of spending money from the fund limits the Congress' abilities to impose appropriation controls on Bureau expenditures.

The Congress has not authorized the Bureau to use the trust fund to finance part of its operating costs on a revolving basis. Moreover, GAO does not believe it is necessary to do so since the Bureau's appropriations accounting structure has procedures for handling reimbursements for goods and services. These procedures would give the Congress greater control.

QUESTIONABLE SOURCES OF REVENUE

Although the fund's revenues should come from activities related to the operation of Indian schools and agencies, the Bureau's revolving activities accounted for over 30 percent of the revenue deposited in the trust fund in fiscal 1978. Two other sources accounted for a large portion of the remainder.

--Forty percent of the fund's revenue came from interest on investment of money held in suspense accounts unrelated to trust fund activities. Whether this revenue should have been deposited in the trust fund is an issue currently under litigation. (See pp. 11-12.)

--Some revenue also came from charges for use of Government-owned facilities or for services provided by the Bureau to other Federal agencies or commercial activities. For example, an Indian school collected over $12,000 in fiscal 1978 and 1979 from a private food contractor for rental of school facilities to prepare food for customers other than the school. This revenue was deposited in the trust fund even though all facility costs were paid from the Bureau's appropriated funds. (See pp. 12-13.)

The Bureau's handling of revenue from user charges does not appear to be contrary to the trust fund statute; however, other laws would allow for its disposition differently if the trust fund statute were repealed. For example, revenue from Federal activities could be credited to the appropriations or funds against which charges were made, or be paid into the Treasury as miscellaneous receipts. Revenue from non-Federal activities also should be paid into the Treasury as miscellaneous receipts unless specific legislation permitted it to be handled otherwise. (See pp. 12-13.)

The fund also earned interest on the investment of its own money. This additional revenue would not be available to the Bureau if all other trust fund revenue were handled differently. (See p. 14.)

CONCLUSIONS

The trust fund is no longer needed to account for expenses and revenue of Indian agencies and schools operated by the Bureau. The fund's money should be transferred to other accounts for use in funding

Indian programs, and the transfer should be coordinated with congressional committees so that they will be aware of available amounts. Future revenues from agencies and schools should be handled in accord with existing laws and regulations and fully disclosed to the Congress. Also, the Bureau's revised accounting system must include adequate controls to keep its organizational costs within amounts budgeted.

AGENCY COMMENTS

The Department of the Interior acknowledged that the fund could be dissolved without adversely affecting programs, and described policy changes that will eliminate about 64 percent of the fund's annual revenue. The Department, however, wants to retain authorization for the fund so that the Bureau can continue the revolving fund activities which account for the remaining 36 percent of the fund's annual revenue. (See p. 16.)

The Department contends that the Bureau has authority to operate the trust fund on a revolving basis. GAO disagrees, and believes that the Bureau should not be allowed to operate the trust fund as a revolving fund because of conditions precluding effective management of that type of fund, such as ineffective fund controls and longstanding accounting system problems. (See pp. 16-18.)

GAO is particularly concerned about the Department's position on the purposes for which the fund's revenue can be spent. The Bureau has broadly interpreted the uses permitted by the fund's authorizing legislation. The Department even implies that the legislation gives the Bureau authority to use the fund to subsidize its appropriation for administrative costs even when the Congress has directed it to reduce such costs. GAO believes that it is improper for the Bureau to use the fund to subsidize its administrative expenses, especially to avoid making congressionally directed reductions.

RECOMMENDATIONS

The Congress should repeal legislation which authorizes the trust fund known as "Indian Moneys, Proceeds of Labor" and then, in consultation with the Bureau of Indian Affairs, it should transfer moneys to appropriate sources, such as other Indian trust funds, or to the Treasury as miscellaneous receipts.

Also, the Secretary of the Interior should:

--Require the Bureau to follow applicable laws and regulations to manage the types of revenue that have been placed in the trust fund and make sure the amounts of revenues from such sources are fully disclosed to the Congress.

--Make certain the Bureau's revised accounting system, to be submitted to GAO for approval, includes adequate fund controls to keep its organizational costs within amounts budgeted.

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